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<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Federal Insurance Company
<b>TOI/Sub-TOI:</b>	H02I Individual Health - Accident Only/H02I.000 Health - Accident Only		
<b>Product Name:</b>	IHAP-5000		
<b>Project Name/Number:</b>	Individual Accident Only/		

## Filing at a Glance

Company:	Federal Insurance Company
Product Name:	IHAP-5000
State:	District of Columbia
TOI:	H02I Individual Health - Accident Only
Sub-TOI:	H02I.000 Health - Accident Only
Filing Type:	Rate
Date Submitted:	03/13/2014
SERFF Tr Num:	CLTR-129450143
SERFF Status:	Closed-APPROVED
State Tr Num:	
State Status:	
Co Tr Num:	IHAP-5000 DC RATE
Implementation	On Approval
Date Requested:	
Author(s):	Susan Coulter, Frank Cripps, Wendy Hicks, Dana Suter, Natanella Har-Sinay, Erica Ruggley, Lauren D'Albero
Reviewer(s):	Darniece Shirley (primary), Alula Selassie, Donghan Xu
Disposition Date:	03/18/2014
Disposition Status:	APPROVED
Implementation Date:	03/18/2014
State Filing Description:	

**State:** District of Columbia  
**TOI/Sub-TOI:** H02I Individual Health - Accident Only/H02I.000 Health - Accident Only  
**Product Name:** IHAP-5000  
**Project Name/Number:** Individual Accident Only/  
**Filing Company:** Federal Insurance Company

## General Information

Project Name: Individual Accident Only  
Project Number:  
Requested Filing Mode: Review & Approval  
Explanation for Combination/Other:  
Submission Type: New Submission  
Overall Rate Impact:  
Status of Filing in Domicile: Pending  
Date Approved in Domicile:  
Domicile Status Comments:  
Market Type: Individual  
Individual Market Type:  
Filing Status Changed: 03/18/2014  
State Status Changed:  
Created By: Dana Suter  
Submitted By: Dana Suter  
Corresponding Filing Tracking Number: DC forms - CLTR-129449556

### Filing Description:

FEDERAL INSURANCE COMPANY  
NAIC: 20281 FEIN: 131963496

INDIVIDUAL HOSPITAL ACCIDENT INDEMNITY INSURANCE PROGRAM

FORMS:IHAP-5000 DC INDIVIDUAL ACCIDENT ONLY POLICY

IHAP SB 5000 SCHEDULE OF BENEFITS  
IHAP EN 5000 APPLICATION FORM

On behalf of Federal Insurance Company, Coulter and Associates, Inc. is filing the attached individual accident only rates for your review and approval. The program offers accident hospital indemnity benefits under four possible hazards. An enrollee may obtain coverage on a 24 hour basis, while in a private passenger automobile, 24 Hour all conveyance, and common carrier. Optional ICU, emergency, recuperation and AD&D benefits will also be made available.

This is a new filing for Federal Insurance Company and no rates are replaced by this filing.

If you have any questions, please contact us at 609-443-7540 or by email at lauren@coulter-and-associates.com. Otherwise we look forward to your approval.

## Company and Contact

### Filing Contact Information

Frank Cripps, Consultant  
379 Princeton-Hightstown Rd  
Cranbury, NJ 08512  
frank@coulter-and-associates.com  
609-443-7540 [Phone]  
609-443-4103 [FAX]

### Filing Company Information

(This filing was made by a third party - coulterandassociatesinc)

Federal Insurance Company	CoCode: 20281	State of Domicile: Indiana
15 Mountainview Rd	Group Code: 20281	Company Type: property and
Warren, NJ 07059	Group Name: CHUBB	casualty
(609) 443-7540 ext. [Phone]	FEIN Number: 13-1963496	State ID Number:

**State:** District of Columbia**Filing Company:** Federal Insurance Company**TOI/Sub-TOI:** H02I Individual Health - Accident Only/H02I.000 Health - Accident Only**Product Name:** IHAP-5000**Project Name/Number:** Individual Accident Only/

## Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Federal Insurance Company
<b>TOI/Sub-TOI:</b>	H021 Individual Health - Accident Only/H021.000 Health - Accident Only		
<b>Product Name:</b>	IHAP-5000		
<b>Project Name/Number:</b>	Individual Accident Only/		

## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	prior approval
<b>Rate Change Type:</b>	Neutral
<b>Overall Percentage of Last Rate Revision:</b>	0.000%
<b>Effective Date of Last Rate Revision:</b>	
<b>Filing Method of Last Filing:</b>	

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Federal Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Federal Insurance Company
<b>TOI/Sub-TOI:</b>	H021 Individual Health - Accident Only/H021.000 Health - Accident Only		
<b>Product Name:</b>	IHAP-5000		
<b>Project Name/Number:</b>	Individual Accident Only/		

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Rate Manual	IHAP-5000 DC	New		Rate Manual - Ind AHIP - DC 013014.pdf,



## **Individual Hospital Accident Indemnity Rate Manual**

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Federal Insurance Company  
Applies to Policy Form IHAP-5000 et al.

# Federal Insurance Company

## TABLE OF CONTENTS

### SECTION

- |   |                   |
|---|-------------------|
| 1 | Rating Worksheets |
| 2 | Rating Examples   |
| 3 | Rate Tables       |

Section 1 – Rating Worksheets



# Federal Insurance Company

Table 1 - Policy Information

I. General information

Organization Name:  
 Street Address:  
 City, State Zip code  
 Contract Effective Date or Renewal Date  
 Hazard  
 Exclusions (See Table 9)  
 Premium Mode  
 Target Loss Ratio

Info Supplied by  
 Company/Broker

II. Benefits

In-Hospital Benefit  
 Intensive Care Unit Benefit  
 Emergency Outpatient Care Benefit  
 Recuperation Benefit  
 Accidental Death  
 Accidental Dismemberment  
 Inflation Protection - 25% increase up to 100% by year 5  
 Inflation Protection - 10% increase up to 50% by year 6

Benefits requested by  
 Policyholder

III. Risk Underwriting Factors

I. Expected participation  
 II. Persistency  
 III. Affinity Group  
 IV. Maximum Benefit Amount  
 V. Average Age  
 The following apply to worksite products  
 VI. Travel outside US  
 VII. Average commuting distance

Info Supplied by  
 Company/Broker

# Federal Insurance Company

Table 2 - Manual Claims Costs

		<b>A</b>	<b>B</b>	<b>C=A*B</b>
		Base Claims Cost	Adjustment Factors	Adjusted Claims Cost
II. Benefits				
In-Hospital Benefit		Table 6	Tables 6a,7	C=A*B
Intensive Care Unit Benefit			Tables 6a,7	C=A*B
Emergency Outpatient Care Benefit			Table 6a	C=A*B
Recuperation Benefit			Tables 6a,7	C=A*B
Accidental Death			Table 6a	C=A*B
Accidental Dismemberment			Table 6a	C=A*B
Subtotal				ST=sum of above
Inflation Protection				F1, look up Table 6
Risk Underwriting Factors				F2, look up Table 8
General Exclusions				F3, look up Table 9
Manual Claims Cost				MLC = ST*F1*F2*F3

# Federal Insurance Company

**Table 3 - Experience Modification Formula**

	Year 1	Year 2	Year 3	Total
Number of Claims	C1	C2	C3	$C=C1+C2+C3$
Total Number of Certificates Issued	P1	P2	P3	$P=P1+P2+P3$
Manual Loss Cost	MLC1	MLC2	MLC3	$MLC=MLC1+MLC2+MLC3$
Incurred Claims	IL1	IL2	IL3	$IL=IL1+IL2+IL3$
Experience Factor				$EF=IL/MLC$
Credibility Factor				CF = See Table 6
Experience Modifier				$EM = (1-CF) + (CF*EF)$

Notes:

Year 3 is the most recent year

The Table can be expanded or contracted to accommodate known or desired number of years

**Table 4 – Credibility Factors**

Number of Claims during review period	Factor
<5	0%
5-9	20%
10-19	40%
20-39	60%
40-69	80%
70+	100%

**Table 5  
Calculation of Gross Premium**

Manual Loss Cost	LC	Table 2
Experience Modifier Factor	EMF	Table 3
Target Loss Ratio	TLR	Table 1
Gross Premium	GP	$=LC*EMF/TLR$

Above premium is annual. For other modes multiply annual rate by:

Semi-annual: .520

Quarterly: .265

Monthly: .090

Gross Premium may be rounded up or down as much as \$.50 but not more than 1% of Gross Premium

Section 2 – Rating Examples

# Federal Insurance Company

Table 1a - Example of Table 1

I. General information	
Organization Name:	ABC Manufacturing Co.
Street Address:	XXX
City, State Zip code	XXX
Contract Effective Date or Renewal Date	7/1/10
Hazard	24 Hour Business and Pleasure
Exclusions (See Table 9)	1 2 3 4 6 8 9 10 11 12 13 14 15 16
Premium Mode	Annual
Target Loss Ratio	65%
II. Benefits	
In-Hospital Benefit	\$100 per day; 7 day EP; 180 day benefit period
Intensive Care Unit Benefit	\$100 per day; 7 day EP; 180 day benefit period
Emergency Outpatient Care Benefit	up to \$300
Recuperation Benefit	Included
Accidental Death	\$100,000 Principal Sum
Accidental Dismemberment	Included
Inflation Protection - 25% increase up to 100% by year 5	Included
Inflation Protection - 10% increase up to 50% by year 6	Not Included
III. Risk Underwriting Factors	
I. Expected participation	Worksite Contributory
II. Persistency	No previous similar coverage
III. Affinity Group	Manufacturing
IV. Maximum Benefit Amount	\$1,000,000
V. Average Age	47
The following apply to worksite products	
VI. Travel outside US	5% of workforce travels outside US on business
VII. Average commuting distance	22 miles

# Federal Insurance Company

Table 2a - Example of Table 2 - Manual Claims Costs

	<b>A</b>	<b>B</b>	<b>C=A*B</b>
	Base Claims Cost	Adjustment Factors	Adjusted Claims Cost
II. Benefits			
In-Hospital Benefit	4.650	0.483	2.244
Intensive Care Unit Benefit	0.470	0.800	0.376
Emergency Outpatient Care Benefit	31.110	1.000	31.110
Recuperation Benefit	4.650	0.483	2.244
Accidental Death	42.900	1.000	42.900
Accidental Dismemberment	4.300	1.000	4.300
Subtotal			83.174
Inflation Protection			1.518
Risk Underwriting Factors			1.76
General Exclusions			0.721
Manual Claims Cost			160.217

## Federal Insurance Company

**Table 3a - Experience Modification Formula Example**

	Year 1	Year 2	Year 3	Total
Number of Claims	12	17	35	64
Total Number of Certificates Issued	1,274	1,214	1,395	3,883
Manual Loss Cost	\$77,714	\$75,268	\$87,885	\$240,867
Incurred Claims	\$57,299	\$68,405	\$183,515	309,219
Experience Factor				1.2838
Credibility Factor				80%
Experience Modifier				1.227

**Table 5a**

**Example of Calculation of Gross Premium**

Manual Loss Cost	160.217
Experience Modifier Factor	122.70%
Target Loss Ratio	65.00%
Gross Premium	\$302.44
Gross Premium may be rounded up or down as much as \$.50 but not more than 1% of Gross Premium	

## Federal Insurance Company

Table 8a - Example of Risk Underwriting Factors

I. Expected participation	
Worksite Contributory	1.10
II. Persistency	
No previous policies	1.00
III. Affinity Group	
Manufacturing	1.60
IV. Maximum Benefit Amount	
None of the above	1.00
V. Average Age	
None of the above	1.00
The following apply to worksite products	
VI. Travel outside US	
None of the above	1.00
VII. Average commuting distance	
None of the above	1.00
Risk Underwriting Factor	1.760



# Federal Insurance Company

**Table 9a - Example of Adjustments for General Exclusions**

		24 Hour	....Adjustment....
Number	Exclusion	B&P	
1	Aircraft Pilot or Crew	0.010	
2	Disease or Illness	0.030	
3	Extreme Sports	0.020	
4	Illegal Acts	0.020	
6	Intoxication Exclusion	0.090	
8	Narcotic Exclusion	0.050	
9	Policyholder Owned Aircraft, Leased Aircraft or Operated Aircraft	0.003	
10	Professional Sporting Activity	0.005	
11	Race or Speed Contest	0.010	
12	Rocket Propelled or Rocket Launched Conveyance	0.001	
13	Service in the Armed Forces	0.010	
14	Specialized Aviation	0.005	
15	Suicide or Intentional Injury	0.020	
16	War	0.005	
Adjustment = 1 - sum of above applicable adjustments		0.721	

Section 3 – Additional Rating Tables

# Federal Insurance Company

**Table 6 - Base Claim Costs**

Benefit	Annual Net Claims Cost per Unit	Coverage Unit
In-Hospital Benefit	\$0.465	\$10 per day
Intensive Care Unit Benefit	\$0.047	\$10 per day
Emergency Outpatient Care Benefit	\$10.370	Per \$100 max benefit
Recuperation Benefit	\$0.465	\$10 per day
Accidental Death	\$0.429	\$1,000
Accidental Dismemberment	\$0.043	\$1,000
Inflation Protection - 25% increase up to 100% by year 5	1.518	applied to above claims costs
Inflation Protection - 10% increase up to 50% by year 6	1.231	applied to above claims costs

**Table 6a - Base Claims Costs - Hazard Adjustments**

Multiply Base Claims Costs in Table 6 by adjustment for Hazard Covered:

<i>Hazard</i>	<i>Adjustment</i>
24-Hours Business & Pleasure	1.000
All Conveyance Business and Pleasure	0.550
Common Carrier Business and Pleasure	0.115
Private Passenger Auto Business and Pleasure	0.370

# Federal Insurance Company

**Table 7 - Elimination Period and Max. Benefit Duration**

*I. In Hospital Benefit, Recuperation Benefit*

*...Maximum Benefit Duration...*

Elim. Period	30	60	90	180	1 year	2 years	3 years
0	0.7924	0.8904	0.9460	0.9850	0.9940	1.0437	1.0646
1	0.7538	0.8518	0.9074	0.9464	0.9554	1.0032	1.0233
2	0.6598	0.7578	0.8134	0.8524	0.8614	0.9045	0.9226
3	0.5530	0.6510	0.7066	0.7456	0.7546	0.7923	0.8081
5	0.3886	0.4866	0.5422	0.5812	0.5902	0.6197	0.6321
7	0.2900	0.3880	0.4436	0.4826	0.4916	0.5162	0.5265
10	0.1982	0.2962	0.3518	0.3908	0.3998	0.4198	0.4282
15	0.1027	0.2007	0.2563	0.2953	0.3043	0.3195	0.3259
28	0.0211	0.1191	0.1748	0.2137	0.2227	0.2338	0.2385

*II. ICU Benefit*

*...Maximum Benefit Duration...*

Elim. Period	30	60	90	180	1 year	2 years	3 years
0	0.5984	0.8379	0.9535	0.9912	0.9970	1.0469	1.0678
1	0.5945	0.8341	0.9496	0.9873	0.9931	1.0428	1.0637
2	0.5757	0.8152	0.9308	0.9685	0.9743	1.023	1.0435
3	0.5436	0.7831	0.8987	0.9363	0.9421	0.9892	1.009
5	0.4706	0.7101	0.8257	0.8634	0.8692	0.9127	0.931
7	0.4069	0.6464	0.7620	0.7997	0.8055	0.8458	0.8627
10	0.3250	0.5645	0.6801	0.7178	0.7236	0.7598	0.775
15	0.2021	0.4417	0.5572	0.5949	0.6007	0.6307	0.6433
28	0.0466	0.2861	0.4017	0.4394	0.4452	0.4675	0.4769

# Federal Insurance Company

Table 8 - Risk Underwriting Factors

I. Expected participation	
Worksite Contributory	1.10
Direct marketed	1.15
None of the above	1.00
II. Persistency	
1 policy within last 5 years	0.98
2 different policies within last 5 years	1.02
3 or more different policies within last 5 years	1.05
No previous policies	1.00
III. Affinity Group	
Agriculture	2.30
Mining	3.30
Construction	2.10
Manufacturing	1.60
Transportation & Public Utility	1.90
Trade	1.40
Financial Institutions, Real Estate, Services	0.90
Public Administration	1.20
Professional Associations	0.90
Trust Members	0.90
Travel Clubs	1.90
IV. Maximum Benefit Amount	
\$250,000 or less	0.95
\$1,500,000 or more	1.10
None of the above	1.00
V. Average Age	
<=30	0.90
>=75	1.25
None of the above	1.00
The following apply to worksite products	
VI. Travel outside US	
>=10% of Insureds travel outside US on business	1.15
<=2% of Insureds travel outside US on business	0.95
None of the above	1.00
VII. Average commuting distance	
<=10 miles	0.95
>=25 miles	1.10
None of the above	1.00

Risk Underwriting Factor = Product of above applicable factors

# Federal Insurance Company

**Table 9 - Adjustments for General Exclusions**

Number	Exclusion	....Adjustment....			
		24 Hour B&P	All Conveyance B&P	Common Carrier B&P	Private Passenger Auto B&P
1	Aircraft Pilot or Crew	0.010	0.050	0.050	0.000
2	Disease or Illness	0.030	0.030	0.002	0.000
3	Extreme Sports	0.020	0.040	0.001	0.030
4	Illegal Acts	0.020	0.004	0.002	0.030
5	Incarceration	0.001	0.000	0.000	0.000
6	Intoxication Exclusion	0.090	0.030	0.010	0.110
7	Intoxication Exclusion - Vehicular	0.070	0.020	0.000	0.100
8	Narcotic Exclusion	0.050	0.020	0.010	0.080
9	Policyholder Owned Aircraft, Leased Aircraft or Operated Aircraft	0.003	0.025	0.010	0.000
10	Professional Sporting Activity	0.005	0.030	0.010	0.001
11	Race or Speed Contest	0.010	0.020	0.010	0.004
12	Rocket Propelled or Rocket Launched Conveyance	0.001	0.001	0.001	0.001
13	Service in the Armed Forces	0.010	0.015	0.010	0.005
14	Specialized Aviation	0.005	0.040	0.020	0.000
15	Suicide or Intentional Injury	0.020	0.020	0.010	0.020
16	War	0.005	0.010	0.010	0.002

Adjustment = 1 - sum of above applicable adjustments

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Federal Insurance Company
<b>TOI/Sub-TOI:</b>	H021 Individual Health - Accident Only/H021.000 Health - Accident Only		
<b>Product Name:</b>	IHAP-5000		
<b>Project Name/Number:</b>	Individual Accident Only/		

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	
<b>Attachment(s):</b>	cover letter DC rates.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Certificate of Authority to File
<b>Comments:</b>	
<b>Attachment(s):</b>	Federal Filing Authorization (2014).pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	Act Memo - IHAP-5000 Version CW 0314.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Justification
<b>Bypass Reason:</b>	Please see actuarial memorandum.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Bypass Reason:</b>	not applicable
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Bypass Reason:</b>	not applicable
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Federal Insurance Company
<b>TOI/Sub-TOI:</b>	H021 Individual Health - Accident Only/H021.000 Health - Accident Only		
<b>Product Name:</b>	IHAP-5000		
<b>Project Name/Number:</b>	Individual Accident Only/		

<b>Bypassed - Item:</b>	Actuarial Memorandum and Certifications
<b>Bypass Reason:</b>	not applicable
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Unified Rate Review Template
<b>Bypass Reason:</b>	not applicable
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	





379 Princeton-Hightstown Rd.  
Cranbury, NJ 08512  
Phone: 609-443-7540  
Fax: 609-443-4103

Federal Insurance Company  
NAIC: 20281 FEIN: 13-1963496

Individual Hospital Accident Indemnity Insurance Program  
Rate Filing  
Company Tracking number: IHAP-5000 DC Rate

Dear Sir or Madam: On behalf of Federal Insurance Company, Coulter and Associates, Inc. is filing the attached individual accident policy rates for your review and approval. This is a companion filing to form filing number CLTR-129449556. The program offers accident hospital indemnity benefits under four possible hazards. An enrollee may obtain coverage on a 24 hour basis, while in a private passenger automobile, 24 Hour all conveyance, and common carrier. Optional ICU, emergency, recuperation and AD&D benefits will also be made available.

This is a new filing for Federal Insurance Company and will not replace any rates currently on file with the insurance department. The proposed effective date for this program is April 14, 2014.

If you have any questions, please call me at (609) 443-7540 or email me at [lauren@coulter-and-associates.com](mailto:lauren@coulter-and-associates.com). Otherwise we look forward to your approval.

Very truly yours,  
*Lauren D'Albero*



## FEDERAL INSURANCE COMPANY

202 Hall's Mill Road, P.O. Box 1600, Whitehouse Station, NJ 08889-1600  
Phone (908) 572-2579

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January 1, 2014

To: State Insurance Departments

Subject: Filing Authorization for Coulter & Associates, Inc.

To Whom It May Concern:

Federal Insurance Company has engaged the services of Coulter & Associates to assist with its form and rate filings. I hereby authorize Coulter & Associates to represent Federal Insurance Company in regard to its Individual Accident-Only indemnity filings in your State.

Signature Louise M. Mueller

Printed Name: Louise M. Mueller

Title: Assistant Vice President

**Federal Insurance Company  
Actuarial Memorandum  
Individual Hospital Accident Indemnity Policy  
Form IHAP-5000 et al.**

**Item 1. Scope & Purpose**

This is a new filing.

**Item 2. Benefit Description**

Coverage is provided for Hospital Indemnity, Intensive Care, Recuperation, and AD&D. Benefits are offered on an indemnity basis, not on an expense incurred basis. Benefits are offered on an accident-only basis. The Company believes this policy is not subject to PPACA.

**Item 3. Renewability**

The policy is renewable at the option of the insurer and the policyholder.

**Item 4. Applicability**

This filing applies to all new issues. There are no existing insureds under this form.

**Item 5. Morbidity**

The following sources of morbidity experience were used:

- "Injury Facts", Editions 2003, 2004, 2005-2006, 2007-2008, published by the National Safety Council
- The SOA 1985-1989 Group Life Study
- "Statistical Abstract of the United States, 2000 Edition"
- Center for Disease Control, Injury Data and Resources
- National Hospital Ambulatory Medical Care Survey; Emergency Department Summary
- National Hospital Discharge Survey

**Item 6. Mortality**

Mortality is based on US population mortality.

**Item 7. Persistency**

Lapses are expected to average 20% per year.

**Federal Insurance Company  
Actuarial Memorandum  
Individual Hospital Accident Indemnity Policy  
Form IHAP-5000 et al.**

**Item 8. Expenses and Commissions**

Expenses and claims assumptions are expressed as a percentage of total premiums as follows:

<b>Table 2 - Expense Breakdown as % Premium</b>	
Claims	50.0%
Loss Adjustment Expense	5.0%
Premium Tax	2.5%
Other Underwriting Expenses	9.0%
Commission	20.0%
Underwriting and Administrative Fee to MGU	7.5%
Profit and Contingencies	6.0%
Total	100.0%

**Item 9. Marketing**

The program may be marketed by brokers, TPAs and Program Administrators. The target market includes members of well-defined groups including employers, financial institutions, affinity groups, and also direct marketing.

**Item 10. Pre-Existing Condition Limitations and Underwriting**

The policy has no pre-existing conditions language. Coverage is issued on a guaranteed issue basis.

**Item 11. Premium Classes**

Premiums are calculated using underwriting information particular to the group and using the formulas shown in the rate manual.

**Item 12. Issue Age Limits and Coverage Duration**

Coverage is available to persons meeting the Eligibility requirements as shown in the Policy.

**Item 13. Area Factors**

There are no area factors.

**Item 14. Average Annual Premium**

The average annual premium is expected to be \$85 per Certificate.

**Federal Insurance Company  
Actuarial Memorandum  
Individual Hospital Accident Indemnity Policy  
Form IHAP-5000 et al.**

**Item 15. Premium Modalization Rules**

Premium modalization rules are contained in the rate manual.

**Item 16. Claim Liability and Reserves**

Claim Reserves and Liabilities will be established by a combination of Lag Studies, case level reserves, and analysis of claim inventories.

**Item 17. Active Life Reserves**

No Active Life Reserves will be held for this coverage.

**Item 18. Trend Assumption**

The Insurance trend is zero. The medical trend is 0% per year.

**Item 19. Minimum Required Loss Ratio**

The minimum required loss ratio is 50%.

**Item 20. Anticipated Loss Ratio**

The anticipated loss ratio is 50.0% or greater. This is calculated over the term of the policy. Because of the nature of the Coverage (accident only) it is expected the loss ratio will not vary by duration.

**Item 21. Distribution of Business**

The demographics of Insureds is expected to mirror the general population.

**Item 22. Contingency and Risk Margin**

The expected margin for profit and contingencies is 6.0% of premium.

**Federal Insurance Company  
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Individual Hospital Accident Indemnity Policy  
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**Item 23. Experience on the Form**

This is a new form. There is no past experience. It is unknown how much business will be written in the future. The projected future experience shown below assumes \$100,000 of annual earned premium.

**Table of Projected Future Experience**

<b>Year</b>	<b>Earned Premium</b>	<b>Incurred Claims</b>	<b>Incurred Loss Ratio</b>
2014	\$100,000	\$50,000	50.0%
2015	100,000	50,000	50.0
2016	100,000	50,000	50.0
2017	100,000	50,000	50.0
2018	100,000	50,000	50.0
2019	100,000	50,000	50.0
2020	100,000	50,000	50.0
2021	100,000	50,000	50.0
2022	100,000	50,000	50.0
2023	100,000	50,000	50.0

**Item 24. Lifetime Loss Ratio**

The lifetime loss ratio is 50.0%.

**Item 25. History of Rate Adjustments**

This is a new form. There have been no rate adjustments.

**Item 26. Number of Policyholders**

This is a new form. There are no existing policyholders.

**Item 27. Proposed Effective Date**

These rates are to be effective coincident with state approval.

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**Item 28. Actuarial Certification**

I certify that to the best of my knowledge and belief, the entire rate filing is in compliance with the applicable laws of the state where filed and with the rules of the Department of Insurance, and complies with Actuarial Standard of Practice No. 8, 'Regulatory Filings for Rates and Financial Projections for Health Plans', and that the benefits are reasonable in relation to the proposed premiums.



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Consulting Actuary

March 10, 2014